

Washington Update

COUNTY OF SANTA BARBARA

March 1, 2017

BUDGET PROCESS AND OUTLOOK

While the Federal government continues to operate at FY 2016 levels under a Continuing Resolution that runs through April 28, to date there has been a dearth of Congressional action to finish the FY 2017 appropriations bills, in part because of a desire to consider President Trump's input. The President's Budget Request is traditionally released the first week of February, but it is not uncommon for the release to slide into March or April in the first year of a new Administration. The new director of the Office of Management and Budget, Mick Mulvaney, was not confirmed and sworn in to office until February 16. OMB plays a key role in the development of the Administration's proposals, and Director Mulvaney has stated that his goal is to release a budget overview – a so-called "skinny budget" to Congress by March 14, and the full budget by April. The process has been further slowed by the fact that out of almost 700 top leadership positions in the various Federal agencies, over 660 positions below the Cabinet level remain to be filled. The agencies' budget proposals are expected to be key opportunities for the new Administration to convey details of its legislative proposals, so the vacancies are also impacting the President's policy agenda.

AFFORDABLE CARE ACT

We met with other public sector stakeholders to discuss pending action on efforts to repeal and replace the Affordable Care Act. Last week, House Speaker Ryan (R-WI) released a broad outline of the House proposal as a "Policy Brief and Resources" document that was still short on details. A markup of actual draft legislative language scheduled for this week after Congress returned from the President's Day recess has been postponed indefinitely, in part because the Congressional Budget Office's initial scoring of the proposal indicated substantial fiscal issues, and in part because of disagreements within the Republican caucus. Of particular concern is the impact on the 38 States such as California that

took advantage of Medicaid expansion under the Affordable Care Act, as well as the renewed specter that the program could be converted to block grants to the States that would lead to a per capita cap on services. President Trump has indicated that the Administration will be releasing its own proposal for the repeal and replacement of the ACA sometime in mid-March.

INFRASTRUCTURE INITIATIVE

We are keeping in contact with key Congressional Committees as they consider President Trump's proposal to invest \$1 trillion over ten years to address the country's aging infrastructure. Notably, the House Transportation and Infrastructure and Senate Environment and Public Works Committees have been holding a series of hearings to explore and develop potential alternatives for the plan, pending receipt from the Administration of a specific proposal or proposals. It is increasingly becoming apparent that the success of any such infrastructure plan will be dependent on development of a funding stream, most likely tied to efforts to reform the corporate tax structure. In addition, there are concerns being raised that certain types of critical projects may not easily fit the model of utilizing private investment, raising the prospects that a direct Federal role in providing resources for such projects may be needed. It is not anticipated that the Administration will provide further details to Congress before mid-March, and that target could easily slip to later in the year.

REGULATORY REVIEW

Last week, President Donald Trump signed a new executive order aimed at repealing or simplifying excessive federal regulations. The Enforcing the Regulatory Reform Agenda Executive Order will create a task force and regulatory reform officer at each federal agency charged with reviewing all regulations and identifying costly and unnecessary regulations. This is in addition to executive orders previously signed by the President that require

agencies to repeal two rules for every new rule they issue, and imposing a freeze on and review of the rules that Obama administration officials finalized, but that have not yet taken effect. This continues the emphasis on regulatory review begun soon after the President's Inauguration, and reflected in Congress by the use of the Congressional Review Act (CRA) to identify individual regulations for elimination. The CRA can be used to repeal a rule within certain time frames if a joint resolution of disapproval is passed by both houses of Congress and signed by the President. Congressional efforts under the CRA are expected to continue into March.

MUNICIPAL BONDS

Working in conjunction with NACo, we contacted members of the local House delegation to alert them to a bipartisan "Dear Colleague" letter being circulated, urging members of the House Ways and Means Committee to protect tax-exempt municipal bonds in any upcoming tax reform or infrastructure measures. The letter emphasizes that the combination of local control and local responsibility makes municipal bonds an effective and efficient tool for local governments to finance infrastructure projects.

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